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August 2, 1989

To: Robert Williams  
Econ

From: Bill Brekke  
FCS

Subject: Submission For Senator Rudman's Visit

The question confronting American businessmen today is whether or not China's commercial transactions will parallel its politics. Will decisions be made in the bureaucratic fashion of 1985 or will the events of June 3/4 be simply a short term aberration in China's ongoing reform movement? The stakes for U.S. business and China are high.

it is only in the past few years that China has opened to Western commerce. From the American businessman's point of view, this transition has been marked by a spirit of reform and openness which is best highlighted by the Articles on foreign investment issued in October of 1986, less than three years ago. Since then, we have seen a successive advances on the Chinese side. It was anticipated that by the end of this year, two more milestones would be passed with the enactment of a law to allow foreigners to be chairmen of joint venture companies and a separate law providing copyright protection.

During this period, major American companies have been testing the commercial environment. Many opened small scale joint ventures to gain practical experience. For the most part, the companies are pleased with their operations. U.S. corporations are prepared to go the next step, i.e. major capital investments in the aircraft, automobile, electronics and petrochemical industries. This demonstrated significant confidence in a market which has been for such a short time.

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